

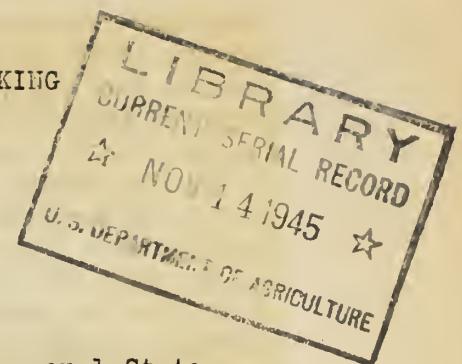
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HISTORY OF
COOPERATIVE AND FARMER OWNED MEAT PACKING
ENTERPRISES IN THE UNITED STATES

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Increased interest on the part of farm groups in several States in exploring the possibilities of the meat processing field has become manifest within the past year. Numerous inquiries have been received by the Livestock and Wool Section and in a few localities fairly definite plans are now being worked out to establish processing facilities as soon as war conditions permit.

Because of the high percentage of failures in earlier attempts on the part of farmers to organize and operate meat packing plants, the American Farm Bureau Federation requested the Cooperative Research and Service Division to make a study of these operations and prepare a short summary for the use of the Livestock Committee of 15.

Early Development of Cooperative Packing Plants

The most active period of organization and promotion of farmer packing plants was from 1914 to 1920. Most of this early development took place in the States of Wisconsin, Minnesota, Illinois, Iowa, the Dakotas, and Michigan. Reports indicate that 17 plants were organized. In addition, unconfirmed rumors of 15 other plants came to our attention but no reliable facts were obtained to substantiate them. Of the 17 plants established, 13 were set up as cooperatives and 4 as private concerns with farmers as principal stockholders. All were promoted as farmers' enterprises and most of the stock was sold to farmers. Table 1 shows number, location, and time of organization of these plants.

Agricultural conditions and certain attitudes on the part of farmers had a direct bearing upon what took place. During the period from 1914 to 1918 there was much dissatisfaction among

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livestock producers with the monopolistic tendencies and cold-blooded attitude of the Big 5 packers and the public market interests dominated by them. As an outgrowth of this dissatisfaction, Congress ordered an investigation of the packing industry by the Federal Trade Commission. Following its report, steps were taken by the Department of Justice to prosecute these firms under the Sherman Anti-Trust Act. To forestall such action, the Packers entered into what was termed the "Packers Consent Decree of 1920." The Packers and Stockyards Act, enacted in 1921, for the purpose of regulating packers and commission merchants at the terminal markets, was largely a result of the disclosures brought out in the Federal Trade Commission's report.

The Big 5 (now Big 4) packing companies, according to the investigation made by the Federal Trade Commission in 1918, owned and controlled most of the important public stockyards of the country where over 75 percent of all meat animals were marketed. They operated over 91 percent of the refrigerator cars and processed over 70 percent of all animals slaughtered under Federal inspection. These same packers also either owned or dominated most of the market newspapers published at these terminal stockyard centers.

Distrust of these large packers, on the part of livestock producing interests, coupled with a desire to have packing plants located near producing areas, led producers to organize both marketing organizations and packing plants in an effort to obtain fairer prices for their livestock. This unrest and dissatisfaction

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Table 1.— Capitalization, Date of Organization, Number of Members, and Date of Suspended Operations for Cooperative and Private Packing Plants, 1914-20

Cooperative Packing Plants

Name	Location	Capitalization	Date of organization		Number of members	Date suspended operations or went into receivership
			Began	Organized		
Farmers' Coop. Packing Co.	La Crosse, Wis.	\$265,000	Apr. 1914	June 1914	2,136	Dec. 1916
Farmers' Coop. Packing Co.	Wausau, Wis.	250,000	Late 1914	Jan. 1916	2,000	Apr. 1919
Farmers' Coop. Packing Co.	Rockford, Ill.	400,000	Early 1916	Dec. 1916	-	1919
Brittain Coop. Packing Co.	1/ Marshalltown, Iowa	170,000	1916	1/	-	1/
Inter-County Packing Co.	New Richmond, Wis.	350,000	-	Jan. 1917	2,200	Feb. 1918
Farmers' Coop. Packing Co.	Madison, Wis.	750,000	1915	May 1917	5,000	1919
Illinois Coop. Packing Co.	Ottawa, Ill.	500,000	June 1918	Winter 1920	1,500	Spring 1921
Equity Coop. Packing Plant	Fargo, N. Dak.	2,850,000	1916	July 1919	19,000	Aug. 1923
Farmers' Coop. Packing Co.	Huron, S. Dak.	1,000,000	1919	2/	-	2/
Farmers' Terminal Packing Co.	Newport, Minn.	2,000,000	Mar. 1916	Mar. 1920	-	Apr. 1923
Fergus Coop. Packing Co.	Fergus Falls, Minn.	144,500	1919	July 1920	660	1934
Cooperative Packing Co.	Faribault, Minn.	-	-	-	-	Operated 3 mos.
Farmers' Cooperative Co.	3/ Owatonna, Minn.	-	1915	3/	-	3/

Private Packing Plants (Largely Farmer Stockholders)

Associated Packing Co.	3/ Des Moines, Iowa	3,877,650	Oct. 1918	3/ 1920	1,200	3/ 1932
Detroit Packing Co.	4/ Detroit, Mich.	2,200,000	1920	1920	2,500	Apr. 1920
Midland Packing Co.	Sioux City, Iowa	8,000,000	Mar. 1918	Early 1920	-	-
North Dakota Packing Co.	Grand Forks, N.Dak.	-	-	-	-	-

1/ Never opened under cooperative management

2/ Plant built but never started operations

3/ Plant was never built

4/ Detroit Packing Co., A Delaware Corporation

made farmers peculiarly susceptible to promotional efforts. Accordingly, when several groups of shrewd promoters, men who made a business of starting enterprises for other people to carry on went into some of the rich Corn Belt States, they found farmers an easy prey. They succeeded in starting several large packing-plant enterprises, for which they charged excessive commissions. Not only did they start packing plants, but they were responsible for launching other commercial projects which had little chance for success. Furthermore, study of the organization of these enterprises indicates that a number of them were not cooperative in any sense of the word but were straight commercial corporations in which farmers, as well as other investors, purchased stock.

First Plant at LaCrosse, Wis.

The first cooperative packing project of which we have any record was started at LaCrosse, Wis., in 1914. Because this was the first cooperative plant organized and because the same promoters were instrumental in starting other plants in Wisconsin, Illinois, and Minnesota, it seems desirable to outline rather fully what took place during its organization and operation.

In the beginning this packing plant was owned and operated by the Langdon-Boyd Packing Company of LaCrosse. When it was sold to farmers the plant was 14 years old and some of the machinery 30 years old. The company was in financial difficulty, owed a local bank \$55,000, and had outstanding preferred stock of \$37,000. To get out from under this "white elephant" the owner conceived the idea of floating a new company as a farmer cooperative. At that time, 1913, the only organized farm group in the State was the Wisconsin Society of Equity. Mr. Boyd approached the President of the organization, along with some of the other officers, sold them on the idea and offered to turn over the plant for \$122,914.

A committee appointed to investigate the proposition failed to employ a competent packing house expert to appraise the plant, and endorsed the seller's deal at his own price. The annual membership meeting of the Equity in December 1913 approved the transaction and authorized the committee to incorporate the company for \$250,000 and raise funds for purchase and operating capital. A professional promoter was employed and a contract was entered into guaranteeing him 15 percent commission on sale of stock.

Shares of stock at \$100 each were sold to 2176 farmers and \$265,000 was raised. Of this amount \$122,914.36 was paid to the old company for a plant worth less than \$30,000, and the promoter received \$37,814.52. The first year the company was forced to expend \$11,314 for repairs in order to put the plant in operation.

Within 10 months after the plant started, 277,300 pounds of meat had spoiled, resulting in a loss of \$40,000. By the end of 1915 the plant showed a loss of \$71,602.34 and due to mistakes and poor management, so that within less than two years \$243,645.42 of the farmers' capital had been used up. This left the cooperative with only about \$21,000 as working capital.

The plant changed management in November 1915 but with an additional \$11,154.17 spent for repairs and improvements, it lost \$3,265.52 on its 1916 operations. It closed in December 1916. Of the \$265,000 subscribed three years before there was practically nothing left but a dilapidated building and equipment, much of which was worthless.

A similar type of promotional scheme was followed in organizing plants sponsored by the Equity at New Richmond, Wausau, and Madison, Wis.; Rockford, Ill.; Newport, Minn.; and Fargo, N. Dak., although at all these points except Rockford new plants were erected, some of them well constructed.

Other promoters followed much the same type of operation in organizing cooperative plants at Ottawa, Ill.; Faribault and Fergus Falls, Minn.; and Huron, S. Dak.; and in selling stock largely to farmers, in privately incorporated plants at Sioux City, Des Moines, and Marshalltown, Iowa; Grand Forks, N. Dak. and Detroit, Mich. Table 2 summarizes the type of promotion of these early enterprises.

Operating Problems and Reasons for Failure

Of the 13 cooperative plants organized from 1914 to 1920, all but 1 had failed by 1923. Two of the organizations never opened their plants; 1 failed to even build or purchase a plant; 2 operated 1 year or less; 7 operated from 2 to 3 years; and 1 for 15 years. While it is difficult to determine from the information available all the contributing causes for failure, reports indicate some of the most important (table 3).

1. The one weakness most common to all the organizations was lack of sufficient operating capital and inability to obtain additional credit. A packing plant requires a large amount of working capital to operate at or near capacity, to build up inventories when prices of raw products are favorable, to provide a daily cash market for livestock, and to advance credit to its retail customers for a reasonable length of time. Experience shows that the capital required is about four times the weekly cost of live animals purchased.

Table 2.- Promoters of 13 Cooperative Packing Plants, 1914-20

Promoted by	Number of plants
Professional promoters	8
Owners of old plants hired professional promoters	2
Farmers	2
Livestock commission man	1
Total	13

Table 3.- Causes of Failure of Cooperative and Private Packing Plants

Cooperative Packing Plants

Cause of failure	Number of plants <u>1/</u>
Lack of operating capital and inability to obtain credit.....	9
Unsound and high cost promotion by outside interests.....	7
Inefficient, inexperienced, and poor management.....	5
Distrust and lack of confidence on part of farmer-patrons	4
Unsatisfactory sales outlets and keen competition from other packers	3
Lack of and irregular supplies of desirable livestock	2
Too much paid for old plant and equipment	2
Unfavorable freight rates	1

Private Packing Plants (Largely Farmer Stockholders)

Inefficient, inexperienced, and poor management	2
Lack of operating capital.....	1

Miscellaneous Causes Common to Most Plants

General lack of information on part of farmers concerning packing business	
High cost of operation	

1/ The 13 plants on which this information was based represent 11 cooperatives and 2 private plants. A number of plants indicated a combination of causes for failure.

The capital raised for a number of the plants might have been sufficient if such a large amount of it had not been absorbed by promoters or paid out in excessive valuation on worn-cut plant facilities. In some instances too, the organizations were unable to collect a substantial amount of the stock subscribed by farmers. Table 4 shows the amount of capital raised and proportion paid to promoters.

2. Another important factor contributing to the failures was the lack of farmer support. The co-ops were created by the unsound promotion of outsiders, rather than by livestock producers themselves. Promises of immediate profits and dividends which did not materialize "soured" many of the members.

3. Inefficient, inexperienced, dishonest and poor management appear to have been another contributing cause for the failure of many of the organizations. This was manifest in a number of ways - by overpayment for livestock, spilage of meat, failure to keep accurate records and to collect outstanding accounts and notes, extravagance and leaks, and lack of aggressiveness.

4. Distrust and lack of confidence on the part of farmer-patrons in management was another reason for failure of several plants.

5. Unsatisfactory sales outlets; keen competition from other packers and low prices of provisions caused heavy losses in some instances. Several plants were forced to sell the bulk of their product in distant markets. This meant that they had to depend upon outside brokers or wholesalers. Inability to obtain refrigerator cars was another handicap.

6. Irregular and inadequate supplies of desirable livestock caused losses and operating difficulties at several plants. Poor location with respect to year around supplies caused trouble in some areas. Agreements to purchase all livestock offered by patrons at prices equal to or better than those offered by competitors caused heavy losses to several plants.

7. Where old worn-out plants and equipment were purchased at fictitious prices, it was impossible to operate economically or efficiently. Additional money was required to put these plants in operating condition.

8. Unfavorable freight rates for dressed meat were mentioned in the case of one plant as one of the reasons for failure to operate successfully.

Table 4.- Financing Cooperative and Private Packing Plants

Cooperative Packing Plants

Name	Location	Amount of capital	Percent paid promoters
Idaho Meat Producers, Inc.	Caldwell, Idaho	\$ 105,000	1/
Detroit Packing Company	Detroit, Mich.	2/ 428,000	None
The New Cooperative Co.	Dillonvale, Ohio	17,500	None
Equity Coop. Packing Plant	Fargo, N. Dak.	2,880,000	20
Fergus Coop. Packing Co.	Fergus Falls, Minn.	144,500	29
Farmers' Coop. Packing Co.	Huron, S. Dak.	1,000,000	1/
Farmers' Coop. Packing Co.	La Crosse, Wis.	265,000	15
Las Vegas Meat & Prov. Co.	Las Vegas, Nev.	16,000	None
Farmers' Coop. Packing Co.	Madison, Wis.	750,000	17½
Brittain Coop. Packing Co.	Marshalltown, Iowa	170,000	12½
Farmers' Terminal Packing Co.	Newport, Minn.	2,000,000	30
Inter-County Packing Co.	New Richmond, Wis.	350,000	17
Illinois Coop. Packing Co.	Ottawa, Ill.	500,000	17
Farmers' Coop. Packing Co.	Rockford, Ill.	400,000	15
Farmers' Coop. Packing Co.	Wausau, Wis.	250,000	17½

Private Packing Plants (Largely Farmer Stockholders)

Associated Packing Co.	Des Moines, Iowa	3,877,650	25
Detroit Packing Co., A Delaware Corporation 2/	Detroit, Mich.	2,200,000	3/
Kentucky Independent Packing Co.	Lexington, Ky.	125,000	1/
Midland Packing Co.	Sioux City, Iowa	8,000,000	25

1/ Information not available.

2/ Reorganized and recapitalized in 1933 as A Michigan Cooperative Corporation. Of this amount stockholders in old company furnished \$108,000, balance consisted of a loan.

3/ Definite information not available, but reports indicate that promoters received \$100,000 in stock.

In summarizing these early attempts at cooperative meat packing, it should be pointed out that several of the plants never operated, others ran for only a few months, and only one for more than 3 years; and that all were greatly handicapped by lack of adequate operating capital.

In fact, the conditions under which these early associations were established were such that no private concern could be expected to succeed, as illustrated by the experience of such private promotional undertakings as the Midland Packing Company of Sioux City, Iowa, which operated only 3 months and caused investors a loss of over 7 million dollars; and the Associated Packing Company of Des Moines, Iowa, which never even constructed a plant but caused a loss of a million dollars to investors.

It is generally conceded that any new business undertaking must expect to operate for a year or more with little or no profit or perhaps at a substantial loss when breaking into a new field.

For these reasons it seems hardly fair to assume that properly organized, amply capitalized, and intelligently managed cooperative meat processing plants have no chance to succeed.

Later Cooperative Processing Plants

Following the disastrous experiences of the early 1920's, few attempts were made to organize cooperative meat packing or slaughtering plants until 1930 1/. Producers' efforts during most of this time were directed toward the organization and operation of cooperative livestock shipping and marketing organizations and substantial progress was made along these lines.

We have record of only six cooperative slaughtering or packing plants being organized from 1930 to 1944, as shown in table 5. 2/

Of these cooperative projects only two were of any size, one at Detroit, Mich., and one at Caldwell, Idaho; the others consisted of small local slaughtering establishments. Reports indicate that one of these projects failed and one never got out of the organization stage.

Two of the plants were set up and operated by well established successful cooperatives in California and Ohio, and one by a small group of farmers and ranchmen in Nevada. Another came about through the reorganization of a privately owned Michigan plant in which farmers had invested a large part of the capital stock. Only two of these plants, one at Caldwell and one at Twin Falls, Idaho,

1/ One plant was organized at Los Angeles, Calif.; in the mid-twenties by about 20 large ranchmen. It operated for about 3 years.

2/ This does not include a number of small cooperative locker plants that perform slaughtering service for their patrons.

Table 5.- Capitalization, Date of Organization, Number of Members, and Date When Operations Were Suspended for Cooperative and Private Packing Plants, 1930 to Date

Cooperative Packing Plants

Name	Location	Capitalization	Date of organization	Number of members	Date suspended operations
		Organized	Began operations		
<u>Packing plant operated by Milk Producers Assn. of Central California</u>					
1/	Modesto, Calif.		Apr. 1930	-	1942
Detroit Packing Co., A Michigan Cooperative Corporation	Detroit, Mich.	\$428,000	-	1,600	Still operating
2/	Las Vegas, Nev.	16,000	Dec. 1933	60	4/
3/ Las Vegas Meat & Prov. Co.	Caldwell, Idaho	105,000	Fall 1935		June 1938
4/ Idaho Meat Producers, Inc.	Twin Falls, Idaho	-	1932	-	6/
5/ Cooperative Packing Co.	Dillonvale, Ohio	17,500	1938	-	Still operating
6/ The New Cooperative Co.		-	1935	-	

Private Packing Plants (Largely Farmer Stockholders)

Kentucky Independent Packing Co.	1/	Lexington, Ky.	\$125,000	-	July 1936	-
<u>1/ Financed by Milk Producers Assn. of Central California</u>						
2/ Preferred stockholders \$108,000, balance loan.						
3/ Loan from Rehabilitation Department, very little money put up by local people						
4/ Information indefinite as to present operations						
5/ \$65,000 paid in, \$40,000 loan						
6/ Never started operations						
7/ Cost of plant						

had the earmarks of promotional ventures. One of those organizations failed after operating about six months and the other did not get by the organization stage.

The first of these six organizations was established in 1930 by the Milk Producers Association of Central California at Modesto. The purpose was to obtain more satisfactory prices for its members' veal calves and old cows. The association first leased a small packing plant in Modesto, but later contracted with a private plant to have its stock slaughtered on a custom basis.

The association employed men to receive, mark, weigh, grade, and follow the stock through the packing plant. All carcasses were appraised and graded on the rails and returns were made to farmers on the basis of these appraisals. No money was paid until the stock was slaughtered and sold. The association also maintained its own salesmen who sold meat at the plant to local retailers or consigned some to San Francisco. This operation proved quite satisfactory and resulted in more satisfactory returns to members. In addition to veal calves and cows a limited volume of hogs and lambs were also handled. Operations were discontinued in 1942 because the local slaughtering plant closed down and the association was unable to make satisfactory arrangements for slaughtering. No money was lost by farmers.

Another small cooperative plant was organized at Las Vegas, Nevada, in 1935, by 60 farmers and ranchmen with the help of the Agricultural Extension Service. An old packing-plant building was purchased at a moderate cost. The reason for organizing was to supply a better outlet for livestock and to take care of local demand for meat from Las Vegas, Boulder City, and numerous mining camps. This plant's operations have been handicapped by seasonal shortages of the right kind of stock available and by inadequate operating capital. Its entire output was sold in the local trade area ^{3/}.

Detroit Packing Company

Because of its larger size, fairly complete and diversified operations, and its 10 years of experience in meeting various problems and difficulties, the history and development of the Detroit Packing Company is of interest.

This company originally incorporated as a private corporation had been started in 1920 by a group of Detroit promoters. Stock to the amount of over 2 million dollars was sold to approximately 2500 investors, 80 percent of whom were farmers. An old brewery building was purchased and converted into a packing plant. As payment

^{3/} The last report on this plant's operations was made in 1938. No definite information is available as to whether it is still in operation.

for promoting the enterprise, it is reported, one family received \$100,000 worth of stock in the company. As the rest of the stock was widely scattered, they, with a few of their friends, were always able to dominate the board of directors.

During the period from 1920 to 1932, the company handled a substantial volume of business but operated mostly in the red because this inside group consistently "milked" the company, through crooked manipulations and by loading it down with high salaries for members of their families in executive positions.

In 1932 the company was thrown into receivership by some of its creditors. In the fall of 1933 a group of prominent Michigan farmers, stockholders and farm organization leaders came to the Farm Credit Administration in Washington to enlist its support in taking over the company, which was then operating in receivership.

During the next 10 years this organization experienced all the problems and difficulties of operation which caused some of the failures of earlier attempts in this field. The plant itself, when taken over, was badly run down. It was not an efficient operating unit and, for several years, did not have capable management. Large amounts of money were spent to replace worn-out equipment and to even partially modernize the plant.

The association also had to revamp its sales organization and improve the quality of its products so as to meet competition. During much of the time the organization, like many other plants, had labor trouble. From the start the company operated with inadequate capital. Collections were slow, and during the earlier years declining markets caused considerable losses in inventory values. All these things made it difficult to show satisfactory progress.

Most of the original operating capital was borrowed, as farmer members furnished very little new money. To correct this situation and to provide additional working capital, the board of directors adopted a program of deducting a retain on each head of livestock delivered by its patrons. To put this into effect called for an aggressive educational and membership drive, under which the association's membership has increased to about 8,000 and a capital retain plan was adopted. As a result of this action substantial amounts of new capital have been acquired by the association, and now, except for a few months during the year or for certain classes of stock, most of its requirements are supplied by members direct to the plant.

The association has substantially improved its financial condition, paid off about one-third of its indebtedness, made needed improvements, and created substantial reserves. In 1943 the total value of the association's sales reached \$5,000,000.

Idaho Meat Producers, Inc., Caldwell, Idaho

The Caldwell, Idaho, plant was organized in 1932, through the efforts of a Chicago packing house supply engineer and promoter who first represented himself as an agent of eastern packers who were interested in locating a plant in Idaho. This proposition failed to materialize and the promoter interested local business men and a few prominent farmers in the project. Together they promoted it as a cooperative enterprise.

The organizers experienced difficulty in raising funds and applied to the Federal Farm Board in March 1933 for a loan of \$160,000. This application was rejected because the proposition did not appear practical or have sufficient farmer interest. After a considerable length of time, \$65,000 worth of stock was sold and the organization borrowed \$40,000 from private sources. A plant costing approximately \$100,000 was built and practically nothing was left for working capital. The association began operations in January 1938 under this handicap.

The plant was built primarily to slaughter livestock and to sell wholesale carcasses outside the local area to the Pacific coast cities of San Francisco and Portland. Because of unsatisfactory sales outlets for the dressed products and the fact that it had to pay a premium for livestock delivered to the plant, the association met with some bad losses. The plant closed in June 1938. The property was finally sold to a San Francisco meat broker and the result was a 100 percent loss to investors. The purchaser, who had established sales outlets, is reported to have made each year substantial profits since taking over the plant. This fact seems to demonstrate the feasibility of this undertaking. Furthermore, it is reported that the added competition for livestock in the plant's trade territory has been responsible for generally better prices paid to farmers for livestock.

Consumers' Plant, Dillonvale, Ohio

Another type of cooperative packing operation which differs somewhat from any of the organizations so far discussed, is the new cooperative company plant operated by the Consumers Cooperative Association of Dillonvale, Ohio.

This plant was established in 1935 to service a group of consumer stores and to develop a market outlet for farmer members of the

Consumers association. The plant is not operated to make a profit but to assure the stores of a steady flow of meat products. In this way it does not compete with other packers for sales outlets.

The original capital was supplied by the Consumers association out of surplus funds. The cost of the plant, plus some later additions, totaled \$17,500.

According to information furnished by the manager, this plant has been of much benefit both to farmers and to individual consumer members. Present plans call for further expansion after the war.

Kentucky Independent Packing Company, Lexington, Kentucky

Another enterprise, organized by private livestock auction market interests and financed through the sale of stock to producers and others, was the Kentucky Independent Packing Company of Lexington, Kentucky. A new modern plant costing \$125,000 was built and operations were started in July 1936. The main purpose in establishing this plant was to inject additional competition for lambs and to strengthen prices.

The plant operated for about 2 years but failed largely because auction operators used it to bolster prices and forced the plant to pay more for livestock than it could afford to do. After the company failed the plant was leased to one of the large packers for a 5-year term and finally sold to this company in 1943.

It is of interest to note that of the 14 plants upon which information was obtained as to their ultimate disposition, that 3 of them were purchased by or leased to the Big Packers, 5 sold to independent packers and 1 to a cooperative packing organization as shown by table 6. Several of the other plants were in such poor condition that they were of little value even at greatly reduced purchase prices.

From indications, all these plants when taken over have been operated profitably under private management and some have been outstandingly successful.

The farmers' idea of establishing packing plants near the source of supply, rather than to ship to far away markets, appears to have been sound and has been proved so by the trend toward decentralization of the packing industry during the last 20 years. Furthermore, letters and other information from various sources indicate that, even though the original farmer-investors lost practically all their original investments, farmers feel that the establishment of these interior plants has been of real value to them.

Table 6.- Purchasers of 14 Cooperative and Private Farmers' Packing Plants That Failed

Name	Location	Plant sold or leased to		
		Big packer	Independent	Cooperative
Idaho Meat Producers, Inc.	Caldwell, Idaho			1
Detroit Packing Co., A Delaware Corporation	Detroit, Mich.			1
Equity Coop. Packing Plant	Fargo, N. Dak.	1		
Cooperative Packing Plant	Faribault, Minn.	1		
North Dakota Packing Co.	Grand Forks, N. Dak.	1		
Farmers' Coop. Packing Co.	Huron, S. Dak.	1		
Kentucky Independent Packing Co.	Lexington, Ky.	1		
Associated Packing Co.	Los Angeles, Calif.	1		
Farmers' Coop. Packing Co.	Madison, Wis.		1	
Brittain Coop. Packing Co.	Marshalltown, Iowa		1	
Farmers' Terminal Facking Co.	Newport, Minn.	1		
Farmers' Coop. Packing Co.	Rockford, Ill.		1	
Midland Packing Co.	Sioux City, Iowa	1		
Farmers' Coop. Packing Co.	Wausau, Wis.			1
 Total		8	5	1

Future Possibilities and Need For Cooperative Meat Processing

After weighing the results of unsuccessful attempts to operate cooperative meat-packing plants, should farmers again consider entering this field? Is there any real need for them or any advantage to farmers in moving further into marketing and processing operations? Is it possible to avoid a repetition of the unsound promotional activities and other early mistakes in future organizational activities?

Many changes which have taken place within the last 25 years make it possible for small plants, at interior points, to operate more successfully than those started prior to 1920. The most important of these is the development of elastic and economical truck transportation. Others include improvements in refrigeration methods, rapid expansion of processing and sale of frozen foods, and widespread use of frozen food locker plants, of which there are now over 5200 in operation in the United States. The general adoption of Government grading of meats also helps to make it possible for small packers to compete with large companies with widely advertised brands.

Unlike the unorganized situation of 25 years ago, farmers today have strong, well organized and financed cooperative marketing and purchasing associations serving all sections of the country. Their volume of business handled in 1943 totaled \$3,700,000,000. Livestock producers alone marketed nearly \$600,000,000 worth of live animals through their cooperatives last year.

Financing of cooperatives, both by members and through aid from the banks for cooperatives, is on a much sounder basis than a quarter of a century ago.

Furthermore, farmers have learned the value and possibilities of cooperative action and their leaders and management have become better trained in operating large business enterprises. The success of large scale dairy, fruit, vegetable, and poultry growers and farm supply organizations in the processing, manufacturing, and merchandising fields has opened farmers' eyes to possibilities for improvements and substantial savings in these operations.

In spite of the development of livestock marketing cooperatives during the past quarter of a century, livestock markets and prices are still dominated to a considerable extent by a handful of powerful packing companies. In 1942 over 72 percent of the cattle, nearly 77 percent of the calves, 73 percent of the hogs, and over 94 percent of the sheep and lambs slaughtered under Federal inspection were handled by 10 companies.

By decentralizing their buying operations packers have substantially weakened the bargaining power of cooperatives and private sales agencies at larger markets. Furthermore, at many of these terminal markets supplies have been divided among packers on what appears to be a definitely predetermined quota basis, which limits competition.

Most packers have not been interested in paying premium prices for quality livestock, but have followed the practice of buying on averages and varying grade rather than price to meet changes in supply and demand. This has discouraged the production of improved animals. For years packers fought Government grading of meat. During the low prices of the 1930's, when lard was a "drug" on the market, packers let lard substitutes replace much of the consumer demand by failing to improve lard until producer pressure was brought to bear. Furthermore, they offered little or no encouragement to producers of "meat type" hogs during this period.

It would appear, therefore, that if producers are to benefit from quality production; reduced transporting, processing and distributing costs; and the improvements made possible through new processing, freezing, grading and merchandising methods, it may be desirable to enter the processing field by establishing some small "pilot plants" to provide freezer-locker service to farmers and town patrons, and to process and distribute graded meat in fresh, frozen and cured form to locker plants, to owners of home freezer units and to retail stores in a limited trade territory. In some areas frozen, drawn poultry as well as fruits and vegetables might also be processed. Refrigerated trucks could be used in distributing products in the plant's territory.

Such operations could supplement rather than replace or compete with cooperative livestock marketing agencies and, if properly operated, should act as "competitive yardsticks" in more accurately determining fair prices for live animals based on the sale of dressed graded products. They also should offer a means of effecting lowered marketing and distribution costs in some areas through savings in transportation and handling charges.

Before going into any such development, however, careful consideration should be given to sources of supplies, type and size of plant and equipment needed and sales outlets. Strong producer interest and ample financial support should be evidenced in advance. The plant itself should be the most modern possible, as most old remodeled plants are expensive to operate and maintain. Indications point to changed methods of processing, freezing, packaging and merchandising after the war. Any group interested in organizing should give careful consideration to all these possibilities. A further aid to efficient plant operation might be the organization of some type of controlled cooperative trucking and marketing services which would make possible a more even flow of livestock to the plant.

To successfully enter this wider field of enterprise may call for the organization and operation of cooperatives in many localities along joint lines of activity rather than on the basis of a single commodity or service.

In going into the meat processing business, it should be recognized that it is highly competitive, that margins are not wide and that at least 50 percent of the product is normally handled in fresh form. It is a type of business which offers numerous advantages through cooperative operations - provided it is well located, soundly managed and financed, and its members thoroughly understand the problems involved and are ready to give it adequate support.

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